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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 9479
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHUJA/AMEMBASSY ABUJA 1041
RUEHDS/AMEMBASSY ADDIS ABABA 1057
RUEHLO/AMEMBASSY LONDON 0552
RUEHNR/AMEMBASSY NAIROBI 3436
RUEHFR/AMEMBASSY PARIS 0874
RUEHRO/AMEMBASSY ROME 1505
RUEAWJA/DEPT OF JUSTICE WASHDC
RHEHNSC/NSC WASHDC
RUEHBS/USEU BRUSSELS
RUEHGV/USMISSION GENEVA 0520
RUCNDT/USMISSION USUN NEW YORK 1256
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 HARARE 000070

SIPDIS

SENSITIVE
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AF FOR DAS T. WOODS
AF/S FOR B. NEULING
STATE FOR INL
NSC FOR DNSA ABRAMS, SENIOR AFRICA DIRECTOR C. COURVILLE
USDOC FOR ROBERT TELCHIN
TREASURY FOR J. RALYEA, FINCEN
PASS USTR FOR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON
JUSTICE FOR OIA AND AFMLS

E.O. 12958: N/A
TAGS: [EFIN](#) [KCRM](#) [KTFN](#) [PTER](#) [SNAR](#) [ZI](#)
SUBJECT: ZIMBABWE 2005-2006 INSCR: PART II: FINANCIAL
CRIMES AND MONEY LAUNDERING

REF: A.) SECSTATE 210324 B.) CHISHOLM-NEULING JANUARY

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Summary and Recommendation

¶1. (U) Zimbabwe faces a serious and growing problem with official corruption and many other common risk factors associated with money laundering. Zimbabwe has the legal framework in place to combat money laundering but the growing economic vulnerability of Zimbabwean officials and the decline of judicial independence raise concerns about the capacity and integrity of Zimbabwean law enforcement. Although the country is not a regional financial center, we nevertheless propose moving Zimbabwe from the category of "Other Countries/Jurisdictions Monitored" to the category "Countries/Jurisdictions of Concern". End Summary and Recommendation.

Risk Factors

¶2. (U) While it does not appear that the scope of money laundering here has a significant international element, Zimbabwe does have an increasing number of significant money laundering vulnerability factors. Factors that would justify categorizing Zimbabwe as a "Jurisdiction of Concern" include:
7Qa flourishing parallel exchange market,
7Qwidespread evasion of exchange controls by
legitimate businesses,

7Qcompany ownership through nominees,
7Qan increasingly understaffed, under-skilled bank
supervisory authority,
7Qa lack of trained investigators or regulators for
financial crime enforcement,
7Qfinancial institutions that are determined to
bypass the regulatory framework,
7Qlimited asset seizure authority in practice,
7Qa laissez-faire attitude towards elements of the
business community,
7Qready acceptance of U.S. dollar in transactions
and
7Qsignificant gold exports and illegal gold trading.

ZimbabweQs Anti-Money Laundering Legal Framework

¶4. (U) Narcotics-related money laundering was previously criminalized in Zimbabwe's Anti-Money Laundering Act. In 2004, the GOZ passed the Anti-Money Laundering and Proceeds of Crime Act ("The Act") that applied the anti-money laundering law to all serious offenses. The Act required banks to maintain records sufficient to reconstruct individual transactions for at least six years. It mandated a prison sentence of up to five years. The Act also addressed terrorist financing and authorized the tracking and seizure of assets. Given the GOZ's history of selective use of the legal system against its opponents, the Act has raised human rights concerns, although its use to date has not been associated with any reported due process abuses or provoked any serious public opposition.

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¶5. (U) Zimbabwe is a party to the 1988 UN Drug Convention and has signed, but not yet ratified, the United National Convention against Transnational Organized Crime. Zimbabwe has yet to sign the UN International Convention for the Suppression of the Financing of Terrorism. Zimbabwe joined the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) in August 2003 but has yet to sign the ESAAMLG Memorandum of Understanding.

Anti-Money Laundering Enforcement

¶6. (U) Over the past two years, the GOZ has arrested many prominent Zimbabweans for activities that it calls "financial crimes". Most of these "crimes" involved violations of currency restrictions that criminalize the externalization of foreign exchange activities conducted by many Zimbabwean businesses with substantial volumes of imports or exports (i.e. transferring assets offshore). To date, the Act has not been employed in the prosecution of individuals for such offenses.

¶7. (U) The GOZ prefers to prosecute financial crimes under the Criminal Procedures and Evidence Act because it allows for those charged to be held in custody for up to 28 days. The Reserve Bank of Zimbabwe (RBZ), and not the Ministry of Anti-Corruption, is the lead agency for prosecuting money laundering offenses.

¶8. (U) When requested, the local banking community has overtly cooperated with the GOZ in the enforcement of laws involving tracking of assets; however, increasingly burdensome GOZ regulations and a hostile business climate have led to growing circumvention. The banking community and the RBZ have cooperated with the U.S. in global efforts to identify individuals and organizations associated with terrorist financing.

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